

A man and a woman in business attire are looking at a smartphone together. The man is on the right, leaning in, and the woman is on the left, looking up at him. They are both wearing dark suits. The background is a light, textured wall.

2022 YEAR-END CHECKLIST FOR YOUR STAFFING FIRM

As the year draws to a close and staffing firms all around the country prepare for what's next, it's time to think about what you need to do to be in good shape come the new year. As you make sure your books are in order, now is a good time to do some (company) soul searching and analysis. Doing so now may better prepare you to make some decisions to help your staffing company prosper in the next year and beyond – plus there is still time to make a real impact on your taxes.

Here are seven checklist items to consider as you close out the year.



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GET YOUR FINANCES IN ORDER

The first step to closing out the year is getting your books in order. For this, a bookkeeper or an accountant can be a tremendous help. For some smaller firms though, the responsibility is all on you and could be where you spend the bulk of your time at year end.

GETTING READY FOR TAXES

Did you receive adjustments for your taxes last year? If so, make sure they are recorded and that you have implemented any necessary changes. You'll also want to make sure the following accounting transactions are up-to-date:

- **Vendor invoices** – All invoices need to be entered at year-end, and also include any you receive at the beginning of January that are dated in December. You'll also want to make sure all your contracts are renewed if they are expiring soon.
- **Customer billing** – All invoices for products sold or services provided as of year-end should be billed in the system. You should have a running list of what invoices are still outstanding, or which clients still owe you money for work completed. Now is the time to double down and chase down the outstanding bills and collect before the end of the year. A full service funding firm or a PEO can help with this.
- **Prepaid expenses** – Any prepaid expenses, for example prepaid insurance for the following year, should be recorded as an asset.

- **Depreciation** – Depreciation for the current year should be recorded and up-to-date.
- **Fixed assets** – Any new assets purchased during the year should be recorded.

DETERMINE YOUR FINANCIAL POSITION

It's also important at year end to determine your current financial position. It's time to analyze ratios and generate a complete financial report including a [balance sheet](#), your [income statement](#), and a cash flow statement. How do you stand this year compared to last? The profit and loss statement, especially, is a good snapshot of how your business stands financially and your projected outlook for next year; cash flow will tell you how your money is spent throughout the year. All of this can help you address issues and plan accordingly for 2023.

QUICK TIP

The first step to closing out the year is getting your books in order.



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DECIDE ON YEAR END TAX STRATEGIES

The last quarter of the year is a good time to evaluate your tax strategies and make any necessary adjustments. Particularly in light of tax laws like the Tax Cuts and Jobs Act. Here are some things to keep in mind while looking into it:

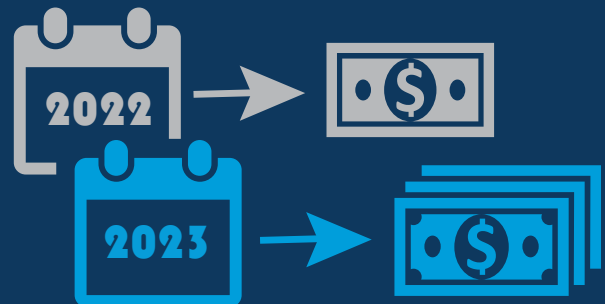
- You may want to take advantage of every tax credit possible, particularly the [Work Opportunity Tax Credit](#). You may have employees that are eligible, at a rate of up to \$9,600 per eligible employee. It is a complicated process, but many firms specialize in it to help staffing companies.
- Don't spend money that you wouldn't ordinarily spend just to reduce your tax bill.



\$1 spent does not equal \$1 of tax saved, after all - a \$1 deduction, which (depending on your tax bracket, business structure, and state of operation) will only lead to \$.00 - \$.60 worth of tax saved.

- Thoughtfully plan to defer expenses for the right reasons so that you're offsetting your income as much as possible when the expenses in question are necessary to the operation of your business.
- If you had a down year with lower than average profit but expect it to pick back up in the new year, you may want to determine if you can defer expenses into the following year.
- Because of the new tax law, your firm might be able to write off the entire cost of some or all of your 2019 asset additions on this year's return, so consider making additional acquisitions if it makes sense.

Be aware your tax bracket now, and consider what it might be in the future. If you expect to be in the same bracket, consider the traditional strategy of deferring income into next year while accelerating deductible expenditures this year. If you expect to be in a higher bracket, **take the opposite approach and postpone deductible expenditures.**



- Maximize the new deduction for pass-through income. The new deduction based on qualified business income (QBI) from pass-through entities was a key element of the TCJA. For tax years beginning in 2018-2025, the deduction can be up to 20% of a pass-through entity owner's QBI, subject to restrictions that can apply at higher income levels and another restriction based on the owner's taxable income.
- It's important to note that strategies like paying yourself a bonus, taking a shareholder distribution, paying down credit lines, or paying off other debt will not create deductions that result in tax deferrals. These strategies are simply re-distributing the money that belongs to your business, into other forms that are still tied to the company in some way, and thus don't qualify as operating expenses.



3

MAKE SURE YOU ARE COMPLIANT

While the future of the Affordable Care Act (ACA) is uncertain in the current political climate, the IRS has given indications that you must still adhere to ACA health coverage requirements for the foreseeable tax filing seasons. For instance, the IRS issued Letter 5699 non-filing penalty notices in July of this year for the 2020 tax year, indicating that they are intensifying enforcement efforts.

Employers should ensure they do their due diligence ensuring the information reported on both the individual shared responsibility provision and the employer shared responsibility provision are timely and accurate. With this in mind, employers should ensure that they furnish Form 1095-C or 1095-B to their employees in a timely and accurate manner, so that their employees have the information when they file their personal income taxes.



4

REVIEW YOUR STAFF COMPENSATION AND BENEFITS

It's a good time to review benefits and compensation for the next year, as well as stay on top of any issues or corrections that need made by the end of the year. Here are some questions to think about:

- **Will you give your employees year-end bonuses?**
It's important to note that if your staffing business uses the accrual method, you can deduct bonuses for rank-and-file employees declared before year end, provided they are paid within 2.5 months after the end of the year.
- **Will you provide raises?**
When budgeting for this, you should take into account not only the raises but also payroll taxes and employee benefits tied to compensation.
- **Are taxable fringe benefits accounted for?**
Some benefits are easier to forget than others, especially if you are the one running the HR show. Don't forget to account for third party sick pay, company car, educational reimbursement, health and life insurance, and transportation subsidies if you have them.
- **Are you paying overtime?**
While the sage of the Obama-era overtime increase continues, in the meantime several states have proposals to increase the overtime threshold limit. Be aware of what your state is doing, and note that the Trump administration has also proposed raising the threshold by 2024.
- **Do you want to offer a retirement plan?**
For most plans, you have until the end of the year to sign the paperwork. Then you have until the due date of the company's return (including extensions) to make employer contributions which are deductible for this year.
- **Will you offer health coverage to full time employees?**
Because the ACA is still technically the law of the land, if you have over 50 full-time including full-time equivalent employees you must offer adequate and affordable coverage to full-time employees and their dependents or risk penalties.



Examining



Business

AUDIT

Verification

Inspect

Asset

5

AUDIT YOUR OFFICE

It's a good time to take stock of your equipment needs for your staffing office. Does your staffing firm need new computers or furniture? If so, there are several ways to write-off the cost of purchases, as long as the equipment you replace is ready for use in your business by the end of the year. Here are the options:

SEC. 179 DEDUCTION

Elect to expense them using the [Sec. 179 deduction](#). The limit on this deduction was \$1,080,000 for 2022, and is good on new and used equipment, as well as off-the-shelf software. Under the Tax Cuts and Jobs Act (TCJA), 100% bonus depreciation is available for property placed in service through 2022. Without further legislation, bonus depreciation will be phased down to 80% for property placed in service in 2023, 60% in 2024, 40% in 2025 and 20% in 2026. Then, after 2026, bonus depreciation will no longer be available.

DE MINIMIS SAFE HARBOR ELECTION

Opt for the [de minimis safe harbor](#). This rule lets you treat equipment purchases as if they were supplies, which means you can deduct them now up to \$2,500 per item or invoice. If you use this option, you cannot put the items on your balance sheet and must attach your own election statement to your return.

QUICK TIP

While it's good to audit physical office equipment, it's equally if not more important to audit your office technology. If you use a VMS, is it working properly? Should you consider other platforms? Also take a look at your website performance, and make sure all your links are working properly. It's also a good time to back up your data, look at naming conventions, and download any reports.





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BE PREPARED FOR A WORKERS' COMP AUDIT

You may be about to undergo a workers' compensation audit before the end of the year. If your workers' compensation policy is expiring before the end of the year, your insurer will likely initiate the audit process soon after. Preparing for an audit can seem daunting, but there are steps you can take to make the process run smoothly.

DOCUMENTS AND RECORDS YOU WILL NEED:

- Accounting ledger
- Tax forms, particularly your quarterly and annual Employers Federal Tax Return (forms 941 and 944)
- Record of cash disbursements
- Payments for services from independent contractors
- Payments for services provided by subcontractors
- Certificate of insurance for each subcontractor
- W-2 and 1099 forms
- Job descriptions for each worker
- Description of your business operations
- Payroll records for the term of the policy
- Payroll limitations

Once you have collected the necessary documents, now it's time to organize it. Put all of your payroll records (such as W-2 forms, pay stubs, and overtime records) together so that the information is easily accessible. Likewise, place all information related to subcontractors, including payment amounts and certificates of insurance, in one place. No one likes an audit, but if you take time to preplan a little, it will make the process easier for everyone involved.

QUICK TIP

If your workers' compensation policy is expiring before the end of the year, your insurer will likely initiate the audit process soon after.



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DETERMINE GOALS FOR NEXT YEAR

Finally, it's time to plan out your roadmap for next year. Here are some things to consider when determining your plans for the coming year:

- Review your strategic plan and see where you stack up against it.
- Using your financial statements, customer feedback and input from your team, assess your goals for the previous year to determine how well you did. Did you achieve what you set out to do? Or did you find yourself taking an unexpected path to a different kind of success?
- Set more than just financial goals. Professional and client goals are important as well.
- Prepare an action plan. How are you going to achieve your goals with the resources you have? Are you staffed up?
- If you are eligible, consider a [supplier diversity certification](#). If you are diverse, veteran-owned or women-owned staffing firm, you could benefit from purchasers who are looking for supplier diversity.

YEAR-END CHECKLIST FOR YOUR STAFFING FIRM

We hope these end-of-the-year tips can help your staffing firm! If you are growing and need support to take on even more projects in the coming year, contact us any time for a free consultation or call **866-653-1810**.



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